101-05868/

MINISTER OF
INDUSTRY, TRADE AND MINES

WINNIPEG, MANITOBA, CANADA
R3C 0V8

June 25, 2001

His Honour
The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for Manitoba Trade and Investment Corporation for the fiscal year ending March 31, 2001.

Respectfully submitted,

MaryAnn Mihychuk, P. Geo.
Minister

2001
International Year of Volunteers

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

410-155 Carlton Street
Winnipeg, MB, Canada
R3C 3H8

Phone (204) 945-2466
Fax (204) 957-1793

June 22, 2001

Honourable MaryAnn Mihychuk
Minister of Industry, Trade and Mines
Room 358 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

It is our pleasure to submit the Annual Report of the Manitoba Trade and Investment Corporation for the fiscal year ended March 31, 2001. as required by Section 15 of the Manitoba Trade and Investment Corporation Act.

Respectfully submitted,

Hugh Eliasson
Chairperson

Rodney B. Sprange
President

Energy

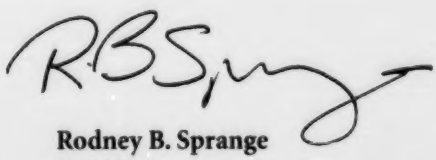
Abounds!

This year saw many exciting additions to the Corporation's responsibilities and a renewed energy as we reorganized to meet the new challenges. The Corporation has taken on the responsibility to provide marketing support to the Minerals Division of Industry, Trade & Mines. The Corporation developed and launched the Provincial Nominee Program for Business (in consultation with the Citizenship Division of the Manitoba Department of Labour). The Corporation also received approval to develop an Energy Intensive Initiative focused on attracting industries to Manitoba that require a secure, high-quality electrical energy supply. This initiative is based on the fact that Manitoba provides extremely reliable electricity with the lowest published electricity rates in North America.

In order to respond effectively to these changing responsibilities, we reorganized the Corporation into three branches, International Trade Development, Investment Marketing, and Operational Support. This Annual Report highlights the new organization and the achievements of the branches this year.

As an organization we have improved our processes for assessing market conditions and prospects for both trade development and investment attraction. We have monitored the effects of a slower U.S. economy and the implications of the electrical energy crisis in a number of U.S. states. We have adjusted our strategy and priorities based on these changes and are excited about the opportunity to market our unique power advantage. Manitoba is a great source of energy–our clean, abundant and reliable electricity, the energy of our people, and the energy of our industries and communities. I am very grateful to acknowledge the energy and commitment of our management and staff, an energy that will be evident as you read the following pages.

Once again, on behalf of the management and staff, I wish to thank our many partners and friends here and around the world without whose support we would not be successful.



Rodney B. Sprange
President

MANITOBA TRADE AND INVESTMENT CORPORATION

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Manitoba Trade and Investment Corporation
An Agency of Manitoba Industry, Trade and Mines

Highlights

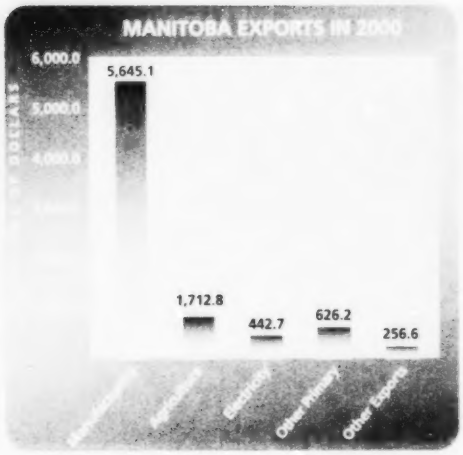
2000 / 2001

The annual Mining and Minerals Convention attracted over 800 industry stakeholders.

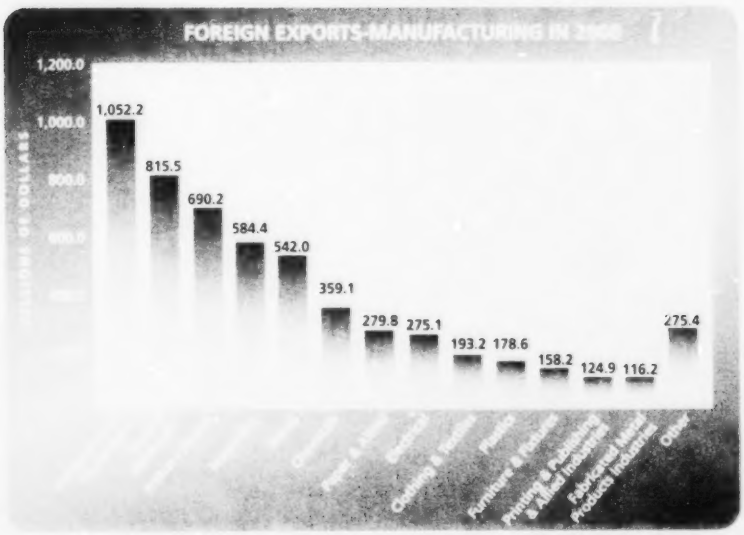
- A business mission to Chile in October 2000 culminated in the signing of a cooperation agreement with the Region of Valparaiso. The agreement focuses on cooperation in helping small businesses to access markets in Chile and in Canada and gives Manitoba companies a preferred status when dealing with the Valparaiso government.
- During the Team Canada mission to China in February 2001, Manitoba signed a memorandum of understanding with Anhui Province to strengthen cooperation and exchanges of scientific and economic information between the two provinces.
- The annual Manitoba Mining and Minerals Convention in November 2000 attracted over 800 industry stakeholders.
- The Energy Intensive Initiative was launched to attract industries that can benefit from Manitoba's exceptionally low-cost and reliable hydroelectric power.
- Launched in November 2000, the Provincial Nominee Program for Business has already received more than 50 applications from potential immigrant entrepreneurs after one business mission. This represents potential investments of $20 million and the creation or maintenance of 300 jobs.
- Manitoba exports totalled $8.68 billion, an increase of 7.7% over 1999. The top four export destinations were the United States, Japan, China/Hong Kong, and Mexico.
- Our Web site, **www.manitoba-canada.com**, recorded more than 190,000 hits, up from 120,000 in 1999/00.

The world is our

Business



Manitoba Bureau of Statistics



Manitoba Bureau of Statistics

Overview of

Operations

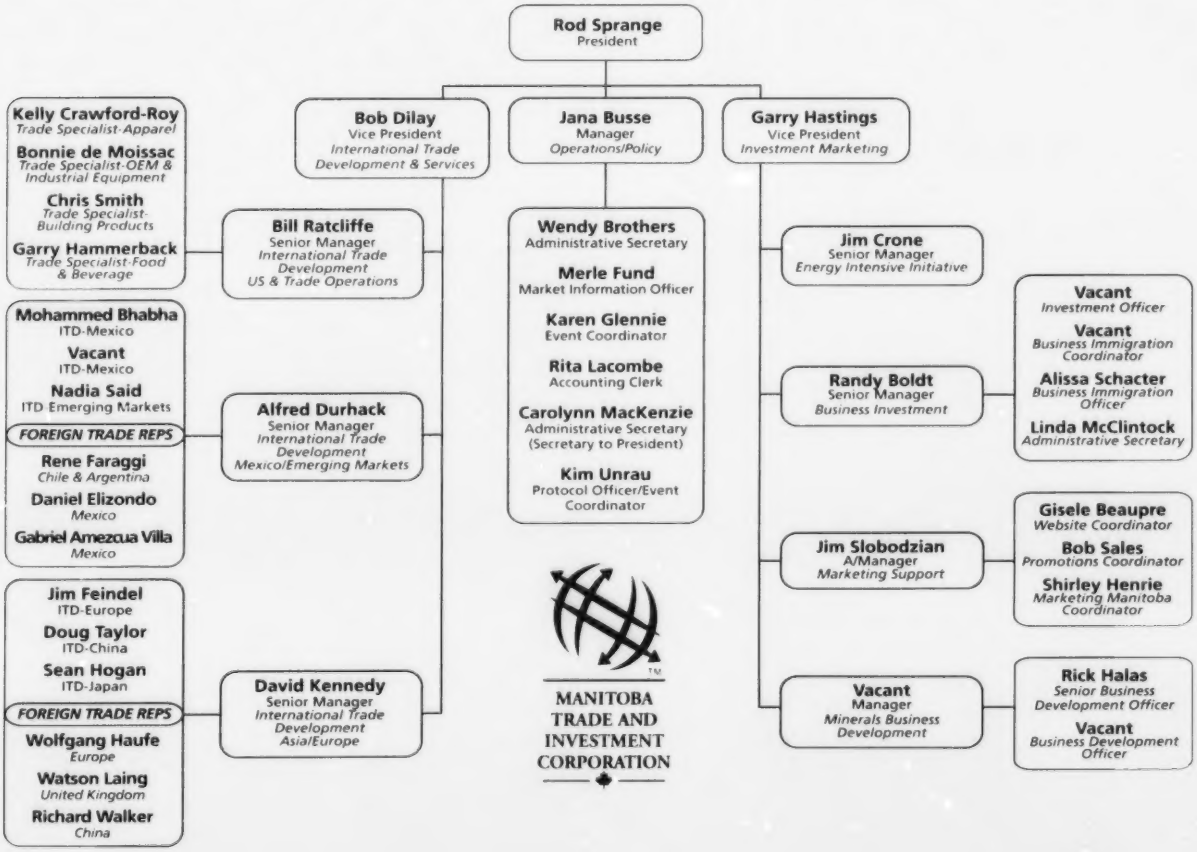
The Manitoba Trade and Investment (MTI) Corporation is a provincial agency whose goals are:

- to increase the number of active Manitoba exporters
- to increase the market diversification of existing Manitoba exporters
- to increase inward investment in the province
- to promote Manitoba's advantages and opportunities to international business

Canada-Manitoba MOU

MTI encourages and facilitates cooperation with other provincial economic development agencies and agencies from other levels of government, as economic development is truly a cooperative effort. A key example is the high level of cooperation between the Province (including MTI) and the federal government arising from a five-year Memorandum of Understanding, renewed in April 2000, to promote international business development. This collaborative effort led to many overall benefits, including:

- coordinated and cost-effective delivery of export programs and services
- reduced duplication and increased effectiveness through shared resources
- nationally recognized processes for performance measurement and tracking

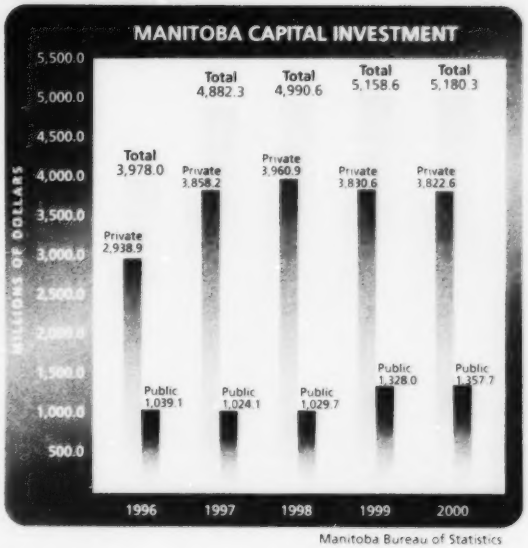


The Year
In Review

Investment Marketing Branch

The **Investment Marketing** branch of Manitoba Trade and Investment is responsible for the following major activities:

- immigrant entrepreneur recruitment (Provincial Nominee Program for Business)
- business or company recruitment (Business Investment)
- general promotion of Manitoba's competitive advantages (Marketing Support)
- marketing Manitoba's energy advantage (Energy Intensive Initiative)
- marketing opportunities in minerals investment (Industrial Minerals Initiative)



Manitoba Bureau of Statistics

Provincial Nominee Program for Business

Building on the success of the two-year-old Provincial Nominee Program, the Province expanded it to include a Business Program aimed at attracting international investors to establish small and medium-sized businesses in Manitoba. Launched in November 2000, the first marketing mission in November to Korea resulted in nearly 50 applications, representing potential investments of $20 million and the creation or maintenance of 300 jobs.

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

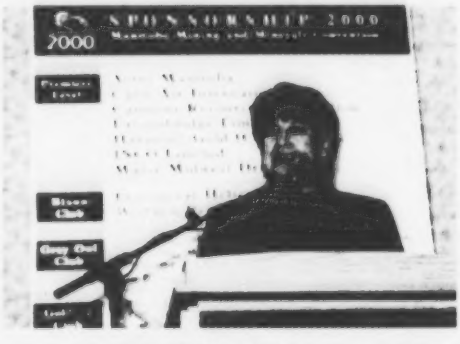
Business Investment

MTI develops investment opportunities to attract and retain private sector investment in Manitoba, working with provincial, federal, and municipal governments and the private sector. These opportunities are new investments, joint ventures, strategic alliances, and business expansions.

- **The Competitive Alternatives Study** – In 2000/01, Manitoba continued to work with KPMG site location consultants to develop the format and structure of their next in-depth published site cost analysis, *The Competitive Alternatives (A Comparison of Business Costs in North America, Europe and Japan)*. The new study will feature an interactive cost model for Manitoba to use with business prospects that can better meet clients' specific needs, as opposed to the static ratings format previously used.
- **International Development Research Council (IDRC)** – As a member of IDRC, MTI attends the annual IDRC Congress with a Manitoba business group. The next Congress will take place in May 2001. Through IDRC, MTI promotes Manitoba to corporate real estate executives of Fortune 1000 companies in the U.S. and Canada, site selection consultants, and economic development agencies from across North America and the world.
- **National Database Project** – Working in partnership with Manitoba Intergovernmental Affairs and Investment Partnerships Canada, Manitoba completed its representation in the National Site Selection Database. This information is now included in the "Invest in Canada" Web site, targeted at site selectors and potential investors.

Marketing Support

MTI's international marketing strategy addresses targeted audiences using varied marketing tools, including print materials, videos and CD-ROMs, Web sites, special events and trade show booths, and print advertising in targeted journals. Marketing Support also provides assistance and development of multimedia promotional products to Manitoba Industry, Trade and Mines.



The Honourable MaryAnn Mihychuk, Minister of Industry, Trade and Mines, addressing delegates at the Manitoba Mining and Minerals Convention in November 2000.

Highlights of Marketing Support Activities in 2000/01

Web sites	• Coordinated overall development for the Department (**www.gov.mb.ca/itt**) and for MTI (**www.manitoba-canada.com**) • Added major design improvements and content • Recorded 190,000 hits (up from 120,000 last year)
New initiatives	• Published brochure, "Access Advantages," with a new look and design, for broad promotion • Created "leaders" program to feature profiles and testimonials of community leaders • Assumed responsibility for marketing support to the Energy Intensive Initiative, Industrial Minerals Initiative, and Minerals Division of the Department of Industry, Trade and Mines
Mining and Minerals Convention	• Hosted over 800 industry stakeholders in November 2000, to discuss issues, share ideas, and invest in Manitoba's mineral industry
Market intelligence and information services	• Launched the Business Opportunities Notification Database (BOND), an e-business portal to international markets for Manitoba companies and investors • Refined and integrated the Manitoba Regional Trade Network Client Survey, using shared provincial and federal databases with more than 6,300 companies

Marketing Support also **provides market intelligence and information services**, providing Manitoba clients with international business development information products and services, and potential overseas clients with Manitoba companies' capabilities. Activities include data collection surveys with federal and provincial delivery partners, analysis, and dissemination. Key developments over the past year included the launch of BOND and refinement and integration of the Manitoba Regional Trade Network Client Survey.

Energy Intensive Initiative

The new Energy Intensive Initiative, working cooperatively with Manitoba Hydro, has developed a strategy to assess the benefits, impacts, and viability of marketing Manitoba's electric power advantages as an inducement for industrial investment.

An assessment has begun of Manitoba's competitiveness in attracting new, or retaining and expanding existing, energy intensive industries or those dependent on reliable sources of power. Immediate emerging opportunities were identified as a result of deregulation of electrical industries in other jurisdictions, and marketing plans were developed.

Manitoba's power advantage positions the province well for involvement in the emerging alternative energy economy. A hydrogen economic development strategic outline has also been prepared.

Aerial view of TANCO mine in Bernic Lake, Manitoba. (Courtesy of Cabot Corporation)

Industrial Minerals Initiative

The main objective of this initiative is to create new or expanded opportunities for industrial mineral investment in Manitoba. The emphasis is on utilizing the mineral resources in the province to create higher value-added opportunities with minimal environmental impact. The focus is on energy intensive initiatives in which Manitoba offers a competitive advantage.

In 2000/01, results of the initiative included announcements of major investments in Manitoba by Albchem Industries and TANCO.

International Trade Development Branch

The **International Trade Development** branch is responsible for two major activities:

- helping Manitoba companies to become new exporters (Exporter Development)
- helping existing Manitoba exporters to diversify their markets (Market Diversification)

Service delivery programs concentrate on:

- exporter training and referrals to appropriate trade resources
- counselling and diagnostic analysis
- export financing through International Financing Institutions (IFIs)
- market intelligence and market information to create an awareness of new opportunities in foreign markets
- outgoing missions, trade shows, and special events to facilitate companies' access to new markets and buyers
- incoming missions and delegations to introduce foreign buyers and governments to Manitoba's products and capabilities

Services provided by International Trade Development

GENERAL INFORMATION	SKILLS DEVELOPMENT	EXPORT COUNSELLING	TRADE FINANCING	MARKET ENTRY SUPPORT	IN-MARKET ASSISTANCE
Toll-free Export Information Service	Export preparation guides	Export-readiness assessment	Trade Assistance Program	Market information & informational sessions	Market prospects
MTI Web site	Export skills training	Market readiness assessment		Trade fairs/shows	Key contacts search
MTI newsletter	Preparation for U.S. market	Export plan development		Trade missions	Visit information
General seminars	Preparation for other markets	Export plan implementation		Partner identification	Direct contacts
				Market intelligence	Local company information
				Advocacy	Troubleshooting
				Reverse trade shows, incoming missions	Government & business liaison

Exporter Development

Trade Specialists identify and qualify Manitoba companies to be new exporters and support existing exporters in market diversification, with a specific focus on the U.S. market. Priority sectors include food and beverage processing, apparel, building products, original equipment manufacturers and sub-components and agricultural equipment, and exportable services.

In 2000/01, MTI identified 265 export opportunities for its company clients.

Market Diversification

Geographic Officers work with the Trade Specialists to help existing exporters diversify their markets by:

- identifying priorities for foreign markets by sector
- providing in-depth knowledge of foreign regions
- providing in-market support to companies by establishing business and government contacts
- promoting investment in their respective geographic territories
- providing market intelligence and on-site assistance from contracted foreign trade representatives

In 2000/01, six part-time foreign trade representatives (two each in Mexico and in Europe, and one in Chile and in China) worked in targeted geographic areas on behalf of the province to provide on-site regional support and contacts for Manitoba businesses.

Manitoba's exports to non-U.S. markets also rose in 2000/01, reflecting increased diversification by Manitoba exporters to other international markets.

United States

Exporter counselling – In 2000/01, MTI provided export counselling to 150 Manitoba companies (128 in 1999/00) to assist them in becoming new exporters or in diversifying their export markets. In 2000/01, MTI identified 265 export opportunities for its company clients.

The U.S. continued to be the predominant export market for Manitoba goods and services, representing 79.2% of total foreign exports. Two regions, the southern and western states, each showed a double-digit increase in exports.

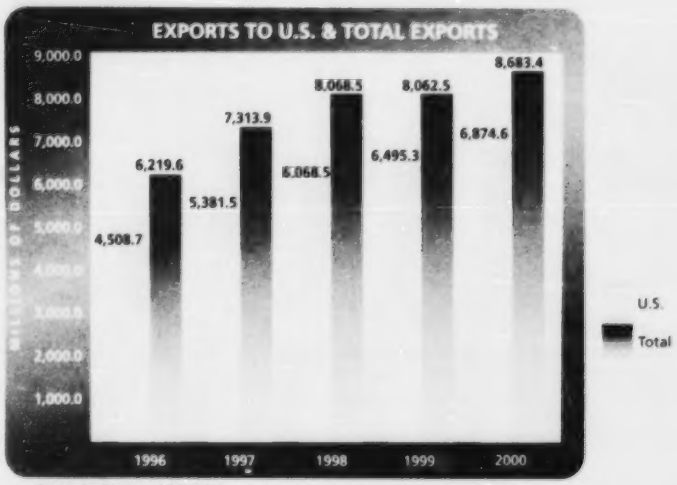
Trade shows – In 2000/01, MTI organized:

- five trade shows in the U.S. with participation by 29 Manitoba companies, resulting in $4.7 million in actual or projected sales from their participation in these targeted trade shows
- four local CEO breakfast sessions to introduce potential new exporters to Manitoba business executives who have gained success by exporting
- several export information events featuring export opportunities to the U.S.

Trade corridors – Manitoba Trade and Investment is a participating member of the following:

- *Northern Great Plains Advisory Committee project entitled "Transportation, Trade and Economic Development: Maximizing Future Opportunities in the Northern Great Plains"* – The purpose of the project is to evaluate current and future opportunities for regional and international trade and the transportation infrastructure requirements to support these trade opportunities.
- *Mid-continent Trade Corridor* – Through representation on the Manitoba/Winnipeg Corridor Partners' Committee in a number of focused trade-related studies, MTI has assumed a proactive approach to enhancing Manitoba's competitive position.

Export financing – In follow-up to a business mission to Washington D.C. in September 1999 to meet with officials of International Financial Institutions (for instance, the World Bank), MTI led a second business mission, with seven Manitoba companies, in June 2000 to reinforce Manitoba's interest in IFI-initiated activities.



Manitoba Bureau of Statistics

Trade Assistance Program – MTI helped 65 Manitoba companies to exhibit in trade shows with financial support from the Trade Assistance Program (TAP). Most were companies targeting the U.S. market, generally the first international market for new exporters.

ASIA & EUROPE

Central & Eastern Europe

In September 2000, Canada's International Trade Minister Pierre Pettigrew led a delegation of 55 Canadian businesses to Hungary, Czech Republic, Slovenia, and Slovakia. MTI participated in the mission and identified opportunities in the areas of building materials, agricultural machinery and services, information and communications technology, and consumer goods.

China & Hong Kong

Overview – Exports to China and Hong Kong of $252 million in 2000 showed a slight increase of 1% compared with 1999. Combined, China and Hong Kong ranked as Manitoba's third-largest export market in 2000, rivaling Mexico for third place. Independently, China ranked fourth and Hong Kong ranked sixth.

Manitoba's foreign trade representative in China provided assistance to 57 Manitoba companies.

Trade shows – Manitoba participated in the Canadian pavilion at the Agro-Foodtech China agricultural trade show in April 2000. Manitoba companies continued to pursue grain handling and storage projects in China along with increased activity in the forage and seed industry.

Incoming missions:

- In September 2000, Governor Xu Zhonglin of Anhui Province in China visited Manitoba. As a result of the visit, a proposal was forwarded for Anhui and Manitoba to sign a Memorandum of Understanding (MOU) to strengthen cooperation and exchanges between the provinces. On February 15, 2001, Governor Xu met with Premier Gary Doer in Shanghai during the Team Canada mission and signed the MOU.
- Manitoba educational institutions continued to expand their network of contacts for the recruitment of Chinese students. In October 2000, MTI, with the Manitoba Department of Education, assisted a Chinese TV crew from Zhengzhou in the filming of a documentary on "Education in Manitoba," to be shown in China.

Trade mission – In February 2001, the Prime Minister of Canada led a delegation of 600 Canadian companies and institutions to Xian, Beijing, Shanghai, and Hong Kong, one of the largest Team Canada missions to date. Manitoba Premier Gary Doer led the Manitoba delegation consisting of 13 companies, institutions, and organizations. Eight of the Manitoba-based businesses and institutions signed agreements worth $128 million.

Foreign trade representative – Manitoba's foreign trade representative in China provided assistance to 57 Manitoba companies, assisted nine in becoming new exporters to the Chinese marketplace, and six in expanding their sales in China and Hong Kong. In March 2001, the representative made a business visit to Manitoba to work with companies interested in business opportunities in China.

A Memorandum of Understanding between Manitoba and the Province of Anhui, China, was signed by Governor Xu Zhonglin, Governor of Anhui Province, and The Honourable Gary Doer, Premier of Manitoba, during the Team Canada mission in February 2001. The signing was witnessed by The Right Honourable Jean Chrétien, Prime Minister of Canada.

Japan

Overview – Japan continued to be Manitoba's second-largest market, after the United States, with exports totalling $393 million in 2000, an increase of 3.9% from 1999. Agricultural products were the largest exports. Value-added exports included pork products, building materials, and prefabricated homes.

Export seminars:

- In June 2000, MTI supported a processed foods seminar in Winnipeg, focused on packaging requirements and recent taste trends in Japan and South Korea.
- In February 2001, MTI, with the Japan External Trade Organization, conducted a "New to Japan Exporters" program for healthcare products for the elderly.

Trade mission – In October 2000, MTI participated in the Kansai-Canada West Business Forum in Kyoto, Japan. This was the fourth such forum bringing together small and medium-sized companies in Western Canada and the Kansai Region of Japan.

Ukraine

Canada-Ukraine Business Initiative (CUBI) – Manitoba Trade continues to support Manitoba Intergovernmental Affairs in its initiative to support the Western provinces' involvement in CUBI.

Western Europe

MTI and Manitoba company representatives at the SIAL World Food Show in Paris, France, in October 2000.

Overview – Manitoba exports to Western Europe in 2000/01 were $377.4 million, an increase of 19% from 1999. The increase was in primary products such as minerals, kraft paper, and agricultural commodities.

Exporter counselling – During 2000/01, MTI assisted 38 Manitoba companies in identifying trade opportunities in Europe. Five companies visited Europe with itineraries arranged by MTI staff, meeting with 22 European companies, and all five companies are now selling their products in Europe.

Incoming missions – It was another busy year for incoming government representatives from Europe, with some 15 visits occurring in all.

Trade show – MTI and Manitoba Agriculture, with seven Manitoba companies, participated in SIAL, Europe's premier food exhibition, in France in October 2000.

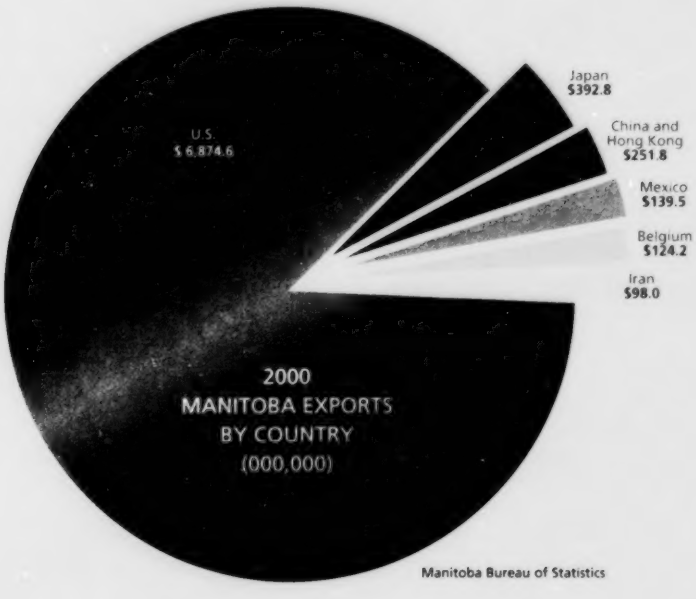
Trade missions:

- The Honourable MaryAnn Mihychuk led a business mission to the U.K. and Sweden in February 2001. The mission explored mining opportunities in the province for three leading British mining companies, and visited information technology incubation centres in England and Sweden.
- MTI supported the Manitoba Motion Picture Industries Association's first mission to Europe. Five Manitoba film and sound companies visited London, England, and Dublin, Ireland, to seek joint partnerships with local industry representatives.

Foreign trade representatives:

- Manitoba's foreign trade representative in Western Europe assisted 18 companies in exploring the European marketplace. Twelve have now visited European trade shows, and eight are new exporters to Europe. The representative also organized a successful Agri-Biotech Mission to Germany, The Netherlands, and Belgium, and worked with Manitoba companies during a business visit to Manitoba in February 2001.
- Manitoba's foreign trade representative in the United Kingdom assisted five Manitoba companies in becoming new exporters and three in expanding their sales and helped organize the business mission to the U.K. and Sweden.

Wolfgang Haufe (second from left), Manitoba's foreign trade representative in Europe, and Jim Feindel of Manitoba Trade and Investment with two students from the International Business program. Mr. Haufe spoke to the class during his visit to Manitoba in February 2001.



Manitoba Bureau of Statistics

Mexico & Emerging Markets

Africa

Overview – In 2000, Manitoba's exports were $92.8 million. Manitoba experienced a growth of 62.8% in exports to Africa, especially in non-traditional sectors such as original equipment manufacturers, building products, and services, in addition to commodities.

Trade mission – MTI organized an exploratory visit to South Africa in the winter of 2000, during which several opportunities were identified, including those in farm machinery, information technologies, consulting services, and animal genetics.

Argentina

Overview – Manitoba's trade with Argentina was $17.2 million in 2000, largely in sales of herbicides, seeds, farm equipment, and bulldozer blades.

Trade mission – MTI organized and led a business mission of seven Manitoba companies to participate in ExpoChacra in Rosario, Argentina, in March of 2001. All participating companies identified distributors and agents, and two companies signed commercial contracts.

Brazil

Overview – Manitoba's trade with Brazil has remained relatively stable over the last two years, with most exports being commodities such as beans, peas, lentils, and other specialty foods.

Education – One sector that remained strong was the education sector, with Manitoba continuing to receive approximately 20 students a year from Brazil, many from the State of Rio Grande do Sul (RGS) with whom Manitoba has a Brotherhood Agreement. The Government of RGS has recently approached Manitoba to assist it in contacting the Winnipeg Police Force and the RCMP to organize training for both its civil and military police.

Central America & the Caribbean

Dominican Republic and Cuba – Manitoba's activities in the Caribbean have been limited to the Dominican Republic and Cuba, mainly in primary agricultural products and livestock products.

Costa Rica and Panama – The federal government is negotiating a free trade agreement with Costa Rica, to be signed in April 2001. In view of the negotiations, MTI made an exploratory mission in November 2000 to explore opportunities in Costa Rica and Panama. In anticipation of the FTAA agreement and its effect on regional prosperity, this region will be targeted for increased activity.

Manitoba's top three exports to Costa Rica in 2000 were wheat, paper, and herbicides. Manitoba's exports to Panama in 2000 consisted mostly of swine products and herbicides.

Chile

Overview – The Canada-Chile Free Trade Agreement and the transparency of the Chilean market provide preferential and unencumbered access and have made Chile one of the best markets in South America for Manitoba companies.

Trade missions – In 2000/01, MTI organized:

- one building products trade mission, Edifica 2000
- two information and communications technology missions
- one business mission to Santiago and Valparaiso

Cooperation agreement – The Honourable MaryAnn Mihychuk led a business mission to Chile in October 2000, that resulted in the signing of a cooperation agreement with the Region of Valparaiso. This agreement focuses on cooperation in helping small businesses to access markets in both Chile and Canada and gives Manitoba companies a preferred status when dealing with the Valparaiso Government.

The Honourable MaryAnn Mihychuk (fifth from right) and Manitoba delegates during the trade mission to Chile in October 2000.

Incoming missions – Manitoba received one incoming mission from *Fundacion-Chile* and one from The Builders Association of Chile.

Foreign trade representative – In 2000/01, Manitoba's foreign trade representative in Chile assisted 30 Manitoba companies in export opportunities to Chile. In February 2001, the representative made a business visit to Manitoba and delivered a seminar on "Opportunities in Chile" to over 30 business people, as well as meeting with several Manitoba companies

Mexico

Overview – In 2000, Manitoba exports to Mexico increased 32.2% over 1999. The overwhelming majority of Manitoba's exports continued to be agricultural products; agricultural exports accounted for 91% of total exports in 2000, compared to 68% in 1999.

Foreign trade representative – In 2000/01, the foreign trade representative in central Mexico assisted 45 companies in finding business opportunities and helped organize Manitoba's participation in the Expo Medica Trade Show. In February 2001, the representative made a business visit to Manitoba, during which he worked with 31 Manitoba companies.

Middle East

Overview – For 2000, Manitoba's exports of $173.7 million reflected an increase of 48.7% over the previous year. Primary exports to these regions continued to be commodities such as wheat and lentils, with a steady increase in exports of services, agricultural machinery, and technology.

Trade missions – In 2000/01, Manitoba Trade organized two trade missions with five Manitoba companies to this region and identified opportunities in animal feeds, water conservation projects, agri-business, and packaging.

Incoming missions – Manitoba received two incoming missions in June 2000, one a mission from Egypt and the other an Iranian business group. Results included sales of approximately $250,000 of agricultural machinery, an agreement worth approximately $2 million for a silo grain storage facility in Saudi Arabia, and sales of pulses worth $750,000 to a new market, the United Arab Emirates.

Manitoba Trade and Investment Corporation thanks our many friends and partners throughout Canada and the world for all of their help and encouragement in 2000/01. We look forward to continuing good relations in the coming year.

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Manitoba Trade and Investment Corporation

Financial Statements

March 31, 2001

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2001 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
May 18, 2001

May 18, 2001

MANITOBA
TRADE AND
INVESTMENT

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THE MANITOBA TRADE AND INVESTMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein. The Provincial Auditor has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

Hugh Eliasson
Chairperson

Jack Dalgliesh, C.G.A.
Financial Officer

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2001

	2001	2000
ASSETS	$	$
Current Assets:		
Cash on deposit with Province of Manitoba	888,382	901,786
Accounts Receivable - Trade	7,567	1,206
Accounts Receivable - Province of Manitoba	2,303,203	2,325,998
Accounts Receivable - Other	70,622	91,407
Total Current Assets	3,269,774	3,320,397
Funding Commitment - Province of Manitoba (Note 5)	24,244,242	24,244,242
Long-term Investment - Faneuil ISG Inc. (Note 3)	1	1
Total Long-term Investments	24,244,243	24,244,243
TOTAL ASSETS	27,514,017	27,564,640
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable - Trade	15,819	18,439
Accounts Payable - Province of Manitoba	2,534,497	2,560,538
Deferred Revenue (Note 6)	44,658	130,492
Total Current Liabilities	2,594,974	2,709,469
Long-term Liabilities:		
Operating Advance Payable	500,000	500,000
Loans Payable to the Province of Manitoba (Notes 4 and 5)	24,244,242	24,244,242
Total Long-term Liabilities	24,744,242	24,744,242
TOTAL LIABILITIES	27,339,216	27,453,711
RETAINED EARNINGS	174,801	110,929
TOTAL LIABILITIES AND RETAINED EARNINGS	27,514,017	27,564,640

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2001

	2001 $	2000 $
Income:		
Participation Fees (Note 2b)	140,494	138,567
Contract Fees Recoveries - Industry, Trade and Mines	434,202	410,859
Licence Fees Revenue	-	92,179
Expenses Recovered from Industry, Trade and Mines - Faneuil ISG Inc.	2,306,448	2,325,998
Total Income	2,881,144	2,967,603
Expenses:		
Program Expenditures (Note 2b)	79,792	195,813
Audit Fees	7,245	5,000
Contract Fees	426,786	410,859
Guarantee Fees	121,221	116,714
Interest	2,181,982	2,145,284
Miscellaneous	246	13,776
Licence Fees	-	92,179
Service Fees	-	64,000
Total Expenses	2,817,272	3,043,625
Net Income (Loss) for the Year before the following:	63,872	(76,022)
Increase in Provision for Decline in Value of Investment	-	(19,448,242)
Increase in Funding Commitment from the Province of Manitoba for Decline in Value of Faneuil ISG Inc. Investment	-	19,448,242
Net Income (Loss) for the Year	63,872	(76,022)
Retained Earnings, beginning of year	110,929	186,951
Retained Earnings, end of year	174,801	110,929

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2001

Operating Activities	2001 $	2000 $
Net Income (Loss) for the year	63,872	(76,022)
Changes in operating assets and liabilities		
Accounts receivable - trade	(6,361)	57,607
Accounts receivable - Province of Manitoba	22,795	(1,087,101)
Accounts receivable - other	20,785	3,478
Interest receivable - Faneuil ISG Inc.	-	18,135
Accounts payable - trade	(2,620)	(5,946)
Accounts payable - Province of Manitoba	(26,041)	1,161,146
Deferred revenue	(85,834)	(149,203)
Net cash flow from (to) operating activities	(13,404)	(77,906)
Investing Activities:		
Decrease in long-term investment - Faneuil ISG Inc.	-	18,796,753
Net cash flow from (to) investing activities	-	18,796,753
Financing Activities:		
Increase in Funding Commitment from the Province of Manitoba	-	(24,244,242)
Increase in Loans Payable to the Province of Manitoba	-	5,447,488
Net cash flow to (from) financing activities	-	(18,796,754)
Net decrease in cash	(13,404)	(77,907)
Cash and term deposits, beginning of year	901,786	979,693
Cash and term deposits, end of year	888,382	901,786

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2001

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The object of the Corporation is to encourage, develop and increase Manitoba exports and trade. The Corporation's primary emphasis is to connect Manitoba businesses with emerging export opportunities.

The Corporation is economically dependent on the Department of Industry, Trade and Mines of the Government of Manitoba as all project shortfalls and deficits incurred by the Corporation are recovered from the Department.

2. Significant Accounting Policies

a. Basis of Presentation

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b. Participation Fees and Program Expenditures

Participation Fees and Program Expenditures are recognized as revenue or expense in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

c. Administrative Expenses Paid By The Province of Manitoba

No amount has been reflected in the financial statements for office space and other administrative services provided to the Corporation by the Department of Industry, Trade and Mines.

3. Long-Term Investment Faneuil ISG Inc.

On August 24, 1994, the Corporation entered into a series of agreements along with the Province of Manitoba, the Manitoba Telephone System (MTS) and Faneuil ISG Inc. (Faneuil) whereby a new information services company was established in Winnipeg. This new company develops integrated marketing systems and marketing information from call centres throughout North America.

In conjunction with these agreements, the Corporation acquired a subordinated debenture from Faneuil in the amount of $16 million. This debenture was due September 18, 1999 and provided for interest of 6.5% per year. The Corporation maintains a call on all of Faneuil's assets, subordinated only to Faneuil's bank, as security for this debenture.

3. Long-Term Investment Faneuil ISG Inc. (Cont'd):

The terms of the debenture were subsequently restructured and $5.6 million of the debenture was converted to Class B convertible preferred shares. For the fiscal year ended March 31, 1999, the Corporation recorded a provision against the debenture of $1,796,000 - $1,500,000 to reflect loan forgiveness for job creation and an additional $296,000 to write the debenture down to its estimated present value based on future cash flows receivable under the modified repayment terms.

In addition, these agreements provided for the Corporation to assume notes receivable from Faneuil, based on MTS and Faneuil entering certain call centre equipment and service contracts over the life of these agreements.

Based on a current assessment, it is uncertain that the Corporation will recover its long-term investment in Faneuil and consequently the value of the long-term investment has been reduced to a nominal value of $1 as follows:

	2001 $	2000 $
Long - Term Investment - Faneuil		
Notes Receivable - Call Centre Equipment	5,000,000	5,000,000
Notes Receivable - Service Contract	244,242	244,242
Debenture Receivable	10,400,000	10,400,000
Preferred Shares	5,600,000	5,600,000
	21,244,242	21,244,242
Provision for Decline in Value of Investment	(21,244,241)	(21,244,241)
	1	1

4. Loans Payable to the Province of Manitoba

The operating advance from the Province of Manitoba is non-interest bearing with no fixed terms of repayment.

In exchange for acquiring the subordinated debenture as described in Note 3 above, the Corporation has assumed responsibility for term notes payable, based on facility service fees being paid by MTS to Faneuil. As at March 31, 2001, these term notes payable assumed by the Corporation totaled $19,000,000 ($19,000,000 as at March 31, 2000).

4. Loans Payable to the Province of Manitoba (Cont'd):

In exchange for acquiring notes receivable as described in Note 3, the Corporation has also assumed responsibility for equivalent amounts of term notes payable. These amounts payable are based on call centre equipment and service contracts entered between MTS and Faneuil.

All term notes payable bear interest at 9% per year and are due January 1, 2002.

In addition to interest, the Corporation pays to the Province on an annual basis, a service fee of .5% on the cumulative notes outstanding, and a guarantee fee of .5% of the amount of notes outstanding at the previous March 31.

As described in Note 3 above, the value of the long-term investment in Faneuil has been reduced to $1. The term notes payable to the Province of Manitoba on account of Faneuil are as follows:

	2001 $	2000 $
Loans Payable to the Province of Manitoba		
Term Notes Payable - Call Centre Equipment	5,000,000	5,000,000
Term Notes Payable - Facility Service Fees	19,000,000	19,000,000
Term Notes Payable - Service Contract Fees	244,242	244,242
	24,244,242	24,244,242

5. Funding Commitment – Province of Manitoba

The Corporation has an outstanding loan from the Province of Manitoba in the amount of $24,244,242 as at March 31, 2001 ($24,244,242 as at March 31, 2000). If the Corporation's long-term investment from Faneuil ISG Inc. does prove uncollectable, the Province of Manitoba is committed to writing off an equivalent amount of its loan to the Corporation regarding this transaction.

6. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for specific projects. Changes in the deferred revenue balance are as follows:

	2001 $	2000 $
Balance, beginning of year	130,492	279,695
Less amount recognized as revenue in the year	(452,901)	(525,795)
Add amounts received during the year	367,067	376,592
Balance, end of year	44,658	130,492

7. Financial Instruments

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.